

WSDOT Ferries Division Revised Draft Long Range Plan

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Introduction

Purpose of this presentation:

1. Review the elements of the Revised Draft Long-Range Plan:
 - Review of public feedback
 - Changes since the December Draft
2. Present proposed adaptive management strategies for a WSF/WSTC joint recommendation.
3. Overview of Tariff review schedule for 2009 fare proposal.

Revised Draft Long Range Plan

Purpose and Goal

The Revised Draft Plan was designed to achieve the following key goals, as required by ESHB 2358:

- Maximize the use of existing capacity.
- Apply adaptive management practices.
- Deliver the highest quality service at the lowest possible cost.

Further to these goals, the Revised Draft Plan provides the information to support resolution of three key strategic issues:

- Gain consensus about which strategies should form the basis of future ferry operations.
- Choose a vessel procurement strategy that will define the timing, number and size of future vessel acquisitions.
- Secure a long-term capital funding commitment to allow for effective planning and delivery of capital facilities.

Challenges Facing WSF

- The key challenge ahead for WSF is the lack of a dedicated capital funding stream that is adequate to meet ongoing investment requirements.
- In addition, there are several other significant challenges that have shaped the development of the Revised Draft Plan:
 - Role of fares: ferry customers have experienced significant fare increases in recent years.
 - Aging asset base: there are significant capital reinvestment needs, particularly with the fleet.
 - Long lead times for capital: implementation time requires timely decision making for major capital investments (vessels and terminals).
 - Vehicle capacity constraints in peak: there are significant vehicle congestion challenges today during peak periods.
 - Growth, ridership demand and service needs: there is expected to be a 36% increase in ridership over the next 22 years.

Customers: What We Have Learned

- The WSTC survey provided important information in the development of the Revised Draft Plan. Among the key survey findings:
 - **Importance of ferry service.** The general survey of Puget Sound residents found that 95% believe that ferries are important.
 - **Our ridership is changing.** There are fewer commuters and more discretionary travel today.
 - **Our riders are traveling less frequently.** Compared with previous surveys, on average, riders are traveling less frequently.
 - **Our riders have more flexibility.** The survey suggested that a significant portion of the ridership base has more flexibility about how and when they travel than was expected.
 - **Fares are not the only factor affecting use of ferries.** The general survey suggested that fares were a relatively small factor in decisions about the use of ferry services.

Changing Our Business

The Revised Draft Long Range Plan was built around several important proposed changes in how WSF does business. These are all directly related to ESHB 2358's requirement to manage demand and operate as efficiently as possible:

- Cost containment: implementation of JTC recommendations to date and ongoing evaluations of how to be more cost effective.
- Vehicle reservations to spread peak demand and offer high quality services with smallest practical terminal holding areas.
- Transit enhancements to focus on increasing walk-on customers.
- Pricing strategies to encourage mode shifts and generate revenue.
- Vehicle level-of-service standards refocused on overall capacity utilization and away from a peak commute orientation.

The Revised Draft Long Range Plan

The Revised Draft Plan contains two different scenarios. Specific changes have been made to each scenario since release of the initial draft.

- **Scenario A.** Current service levels continue, with some modest improvements. Assumes that the State will continue in its current role as owner, operator, and principal funder of ferry services in the Puget Sound region.
- **Scenario B.** The State takes responsibility for a reduced core domestic marine highway system. WSF would significantly reduce services on some routes. In these areas, WSF would want to engage local governments in a dialogue about how best to mitigate the negative impacts of reduced state ferry service.

The Revised Draft Plan: Elements Common to Both Plan Scenarios

Adaptive management strategies

- Vehicle reservations: majority of vessel reserved during peak periods to allow smallest possible terminals.
- Transit enhancements: invest to maximize walk-on utilization.
- Pricing strategies: (1) increase spread between passenger fares and vehicle fares by growing passenger fares at half the rate of vehicle fares; and (2) no fee for vehicle reservations to encourage customer use.
- Fuel conservation: continue to optimize fuel consumption by strategically slowing down vessels when practical.

Fare policies

- Use Legislative planning assumptions, average annual fare increase of 2.5% (2.8% vehicles & 1.4% passengers).
- Add fuel surcharge when fuel costs exceed “base fuel costs” which are tied to a “base price” of fuel (planning assumption: \$2.15 per gallon).

Summary of Plan Scenarios

Scenario A	Scenario B
Service Program <i>Maintain service at existing levels except:</i> Restore 2-boat service at Pt Townsend-Keystone (22 weeks) Break-up Fauntleroy triangle by adding the Hiyu: Run 2-boats Fauntleroy-Vashon Run 1-boat Vashon-Southworth Run 1-boat Fauntleroy-Southworth Strategically slow vessels to optimize fuel consumption Marginal capacity increases due to new vessel procure: Anacortes-San Juan Islands Mukilteo-Clinton Seattle-Bremerton Fauntleroy-Vashon Fauntleroy-Southworth Point Defiance-Tahlequah <i>Implement operational and pricing strategies</i> Reservation system for vehicles at no extra fee Transit enhancements to promote walk-ons Increase passenger fares at half the rate of vehicle fares Implement an automatic fuel surcharge to address price risk	Service Program <i>Same as Scenario A except:</i> Close Anacortes-Sidney in September 2009 Reduced San Juan Domestic service when Sidney boat removed Keep Port Townsend-Keystone at one boat year-round Downsize Point Defiance-Tahlequah (Hiyu) ('09-11) Reduce Bremerton to one boat year-round ('11-'13) Eliminate night service on Edmonds, except summer ('11-'13) Reduce Vashon-Southworth-Fauntleroy to two boats ('11-'13) Eliminate Mukilteo extra summer weekend service (starting 2011) <i>Implement operational and pricing strategies</i> Reservation system for vehicles at no extra fee Transit enhancements to promote walk-ons Increase passenger fares at half the rate of vehicle fares Implement an automatic fuel surcharge to address price risk
Capital Program Preserve and maintain existing terminals and vessels Purchase 11 new vessels to replace retired and retiring vessels Invest in a new reservation system Make transit supportive investments at selected terminals Invest in selected terminals to maintain service frequency/reliability Add a tie-up slip at Southworth to support additional service	Capital Program <i>State System, same as Scenario A except:</i> Purchase 5 new vessels (6 fewer) Eliminate terminal improvements targeting loading and unloading Eliminate some terminal improvements targeting transit efficiency

Public Comment on the Draft Plan

WSF released the draft long-range plan for public review and comment on December 19, 2008.

- Public comments were accepted for 38 days, between Dec. 19, 2008 and Jan. 26, 2009.
- Ten public hearings held in ferry-served communities between Jan. 5 and Jan. 21, 2009.
- Over 1,300 people attended the hearings.
- Almost 400 gave public testimony.
- Over 800 e-mails and letters received.

Public Comment - Themes

The comments we heard most frequently at each of the ten hearings and in reading through the written submissions were grouped into themes. These themes were considered in the development of the Revised Draft Plan:

- WSF should be treated as part of the state highway system.
- Economic impacts should be considered.
- The plan does not adequately address ridership growth.
- Concern about a vehicle reservations system.
- More information is needed on what WSF is doing to reduce costs.
- Consider building vessels out of state if it saves money.
- Scenario B includes an unfunded state mandate for locals to provide passenger-only service.

Scenarios A and B – Changes

Changes to Scenario A since Draft Plan	Changes to Scenario B since Draft Plan
Operating Program Break-up Fauntleroy triangle by adding the Hiyu: Run 2-boats Fauntleroy-Vashon Run 1-boat Vashon-Southworth Run 1-boat Fauntleroy-Southworth Add reservation operating costs (\$500K/yr)	Operating Program Reinstate the Bremerton night service that would have been Add reservation operating costs (\$500K/yr)
Capital Program Remove dock widening at Fauntleroy Eliminate exit lane straightening at Port Townsend Add a replacement vessel to procurement plan to replace 1 Add a new tie-up slip at Southworth to support service expansion	Capital Program Eliminated several terminal projects, including: Point Defiance Tollbooth improvements Point Defiance increased holding Port Townsend relocate tollbooths New exit lane to Tahlequah Clinton walkway connection to park & ride Mission reduction to Bainbridge transit improvements

Vessel Procurement Plans

- The biggest difference in the two Scenarios is in the fleet size needed to support the operating program – Scenario A fleet size is 23 vessels and Scenario B is 17 vessels.
- Given the schedule of vessel retirements, this translates into a significant difference in vessel procurement needs and costs.
- Scenario A would require 11 replacement vessels, while Plan B would require only 5.
- Both would refurbish the Hyak to extend its life.
- Scenario B has significantly fewer weeks backup vessel availability.

Year	Vessel	Notes
SCENARIO A		
2010	Island Home #1	Replace a Steel Electric (Port Townsend)
2011	Island Home #2	Replace a Steel Electric (Port Townsend)
2011	Hyak reinvestment	Invest in the Hyak to extend life 20 years
2012	Island Home #3	Replace the Rhododendron (go to Point Defiance)
2013	144-car vessel #1	Replace the Evergreen State
2015	144-car vessel #2	Restore standby/reserve capacity; Hyak moved to
2017	144-car vessel #3	Replace the Tillikum
2019	144-car vessel #4	Replace the Klahowya
2021	144-car vessel #5	Replace the Elwha
2023	144-car vessel #6	Replace the Kaleetan
2025	144-car vessel #7	Replace the Yakima
2027	Small Vessel #1	Replace the Hiyu
SCENARIO B		
2010	Island Home #1	Replace a Steel Electric (Port Townsend)
2011	Hyak reinvestment	Invest in the Hyak to extend life 20 years
2021	Small Vessel #1	Replace the Elwha
2023	Small Vessel #2	Replace the Hiyu
2025	144-car vessel #1	Replace the Kaleetan
2027	144-car vessel #2	Replace the Yakima

Funding for Operating and Capital Program

- Current funding is not sufficient to address either Plan Scenario (includes assumed transfers in the 2008 Legislative Financial Plan).
- Most significant difference in capital needs for Plan Scenarios are related to vessels, particularly new vessel construction.

	Draft LRP (22-Year)		Legislative Plan (16-Year)	
	Scenario A	Scenario B	Scenario A	Scenario B
CAPITAL				
Terminals	\$1,580	\$1,475	\$1,251	\$1,162
Vessels	\$3,424	\$2,328	\$2,355	\$962
Miscellaneous Uses	\$453	\$203	\$303	\$303
Existing Debt Service	\$212	\$212	\$212	\$212
Total capital needs	\$5,669	\$4,218	\$4,121	\$2,639
Dedicated capital funds	\$829	\$829	\$685	\$685
Administrative Transfers	\$1,126	\$1,126	\$736	\$736
Federal Funds	\$347	\$347	\$259	\$259
Bond Proceeds	\$241	\$241	\$241	\$241
Net Funding Capital Program	(\$3,126)	(\$1,675)	(\$2,200)	(\$718)
OPERATING				
Operating revenues	\$5,286	\$4,982	\$3,432	\$3,244
Operating expenses	\$6,396	\$5,532	\$4,303	\$3,783
Net operating income/(subsidy)	(\$1,110)	(\$550)	(\$871)	(\$540)
Average farebox recovery rate	83%	90%	80%	86%
Dedicated operating taxes	\$809	\$809	\$561	\$561
Administrative Transfers	\$88	\$88	\$88	\$88
Estimated Subsidy Available	\$897	\$897	\$649	\$649
Net operating surplus/(deficit)	(\$213)	\$347	(\$222)	\$109
Total Funding Needs	(\$3,339)	(\$1,328)	(\$2,422)	(\$609)

Note: Parenthetical values represent program shortfalls; positive values represent program surpluses

Addressing Capital Funding Needs

- Both Plan Scenarios currently show a capital funding gap.
- WSTC Funding Study is identifying potential funding opportunities to address long-term ferry capital funding needs.
- To achieve financial sustainability without new revenue would require closing some domestic routes.

Next Steps for LRP

A Final Long-Range Plan will be developed following direction from the 2009 legislative session.

Joint WSF/WSTC Recommendation: Operational and Pricing Strategies

Overview

ESHB 2358 requires that Ferries pursue operational and pricing strategies as a way to manage demand before adding capacity to meet future system needs.

- In June, Ferries shared over 90 individual operating and pricing strategy concepts with stakeholders and the public at FAC meetings.
- In September, after incorporating feedback and conducting further analysis, a shortlist of key potential strategies were presented:
 - Transit enhancements to improve walk-on utilization.
 - Reservations for vehicles to level demand and reduce community impacts from queuing.
 - Pricing strategies to manage demand.
- The Draft Plan was constructed based on these key proposed strategies

ESHB 2358 also calls for WSF and WSTC to make a joint recommendation regarding proposed adaptive management strategies.

WSF/WSTC Joint Recommendation

- A stand alone package of recommended operational and pricing strategies.
- Package of strategies would provide a broad policy basis for future specific actions.
- The package integrates the following elements:
 - The highest priority strategies as identified in the Revised Long Range Plan.
 - A list of effective strategies that might be considered in the medium and longer term.
- WSF/WSTC to jointly transmit the final package of recommended strategies to the Legislature.
- Fares cannot be raised until these recommendations have been submitted.

Highest Priority Strategies

- The highest priority strategies are those that have been explicitly integrated into the Revised Long Range Plan. These include:
 - An extensive vehicle reservation system to minimize terminal holding areas, provide customers with a high degree of predictability and minimize traffic impacts in communities.
 - Transit enhancements at terminals and commitment to work with transit partners to maximize the potential for walk-ons.
 - Fuel conservation measures, including slowing down vessels in lower demand periods.
 - Differential vehicle and passenger pricing – grow passenger fares at half the rate of vehicle fares.
 - Do not charge an extra fee for reservations to maximize use of system to further demand management goals.
 - Institute a fuel surcharge which will automatically adjust for fuel price spikes.

Strategies for Further Consideration

- There are many additional operational strategies that are recommended for possible future consideration. These strategies can be grouped into the following areas:
 - Non-motorized enhancements.
 - Strategies to optimize fare collection.
 - Enhanced customer information.
 - Scheduling options to minimize costs or improve ridership.
 - Traffic and dock management strategies.
 - Promotion and marketing of non-SOV modes.
 - Strategies to optimize parking and holding.

Strategies for Further Consideration

- The specific pricing strategies that are recommended for possible future consideration have been split into possible near-term strategies and longer term strategies:
- Near Term:
 - Passenger discounts.
 - Seasonal surcharge, such as a 3-season pricing model.
 - Small car discounts.
 - Progressive pricing for larger and oversize vehicles.
 - Non-resident pricing.
- Longer Term:
 - Congestion pricing, including time-of-day pricing.
 - Changes to frequent user policies.
 - Variable pricing on routes that share a travel shed.

Next Steps: Joint Recommendation

Final package of recommended strategies submitted to Legislature for their consideration.

Tariff 2009

Overview

- In 2007, the Legislature froze ferry fares pending the outcome of the work required by ESHB 2358.
- Assuming a joint recommendation on strategies can be submitted to the Legislature this session, the key fare provisions of ESHB 2358 will have been satisfied.
- When the 2009-11 Ferries operating budget passes at the end of the session, the budget will define a revenue requirement for fare revenue over the next two fiscal years.
- It is expected that this budget will likely require a fare increase which, per 2007 Legislative direction, would take place in the fall.
- As a result, it is likely that WSF and WSTC will need to engage in a Tariff review cycle and develop a fare proposal for Fall 2009 implementation.

Legislative Direction on Fares

- ESHB 2358 requires that “the department shall annually review fares and pricing policies applicable to the operation of the WSF...the department shall develop fare and pricing policy proposals that must:
 - Recognize that each travel shed is unique, and might not have the same farebox recovery rate and the same pricing policies;
 - Use data from the current market survey conducted by the WSTC;
 - Be developed with input from affected ferry users by public hearing and by review with affected ferry advisory committees, in addition to the market survey;
 - Generate the amount of revenue required by the biennial transportation budget;
 - Consider the impacts on users, capacity, and local communities; and,
 - Keep the fare schedules as simple as possible.
- While developing fare and pricing policy proposals, WSF must consider the following:
 - Options for using pricing to level vehicle peak demand; and
 - Options for using pricing to increase off-peak ridership.”

Tentative Tariff Review Schedule

- **Late Spring:** Initiate tariff review, begin proposal development.
- **End of Session:** Legislature provides revenue target.
- **June 2009:** File CR-101 opening the WAC process.
- **July 2009:** WSF presents fare proposal to WSTC, File CR-102.
- **Late summer:** Public comments on proposal.
- **Early September 2009:** WSTC Hearing on proposal.
- **Late September 2009:** File CR-103.
- **October 10, 2009:** New fares take effect.

Tariff Issues for 2009 Consideration

- Revenue Need and General Fare Increase
 - Need for fare increase(s) – depends on outcome of budget process.
 - Progress on Tariff Route Equity (TRE) implementation and continued phasing in of San Juan Interisland.
- Fuel Surcharge
 - Methodology/approach.
 - Implementation issues.
- Vehicle/Passenger Fare Relationship
 - LRP proposal to increase passenger fares half the rate of auto fares.
- Anacortes-Sidney Fares (if service continues past 2009)
 - Market screen and appropriate fare levels.
 - Assess policy and need for any modifications.
- Other Issues?

Questions?

For more information on the
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